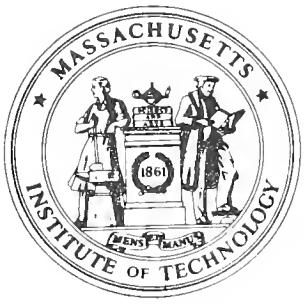


LIBRARY
OF THE
MASSACHUSETTS INSTITUTE
OF TECHNOLOGY

Digitized by the Internet Archive
in 2011 with funding from
Boston Library Consortium Member Libraries

http://www.archive.org/details/rationaleforfore00ecka

working paper
department
of economics

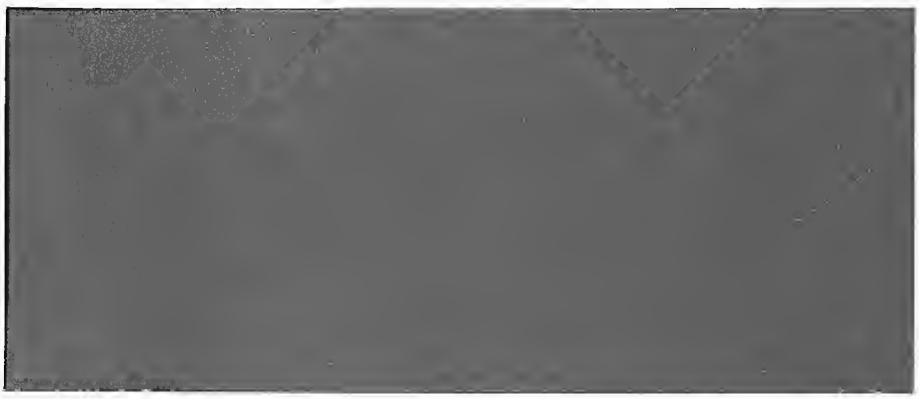
THE RATIONALE FOR PUBLIC AID

Richard S. Eckaus

Number 20 September, 1968

massachusetts
institute of
technology

50 memorial drive
cambridge, mass. 02139



NOV 1 1968
DEWEY LIBRARY

THE RATIONALE FOR FOREIGN AID

Richard S. Eckaus

Number 26 September, 1968

R. S. Eckaus

THE RATIONALE FOR FOREIGN AID

It is the evilest of days when a person or a policy must be defended against old friends. Those days have come for our domestic and foreign poverty programs. Yet there are signs for the hopeful that new and better domestic welfare programs will emerge from the recognition of old mistakes and the pressures of movements, marches and political expedience and from the intense discussion of new proposals. However, only the most confirmed of optimists could find reasons for hope in the current dispirited mood with respect to foreign aid. The official pronouncements ring tired changes on old and often obviously unwarranted claims and the critics draw the wrong conclusions from their often justified criticisms.

Much of the disagreement in the discussion of foreign aid seems to be concerned with means: the pros and cons of project or program loans or of national or international lending agencies. At the source of many of the differences, however, are more basic disagreements about ends: the basic objectives of foreign aid. So, in order to illuminate the argument, it is necessary to go back to the beginning and start with the rationale of foreign aid.

There are no new justifications nor new criticisms which are yet to be discovered and which will overwhelm the old arguments. Nor will agreement be found among the protagonists on whether it is "more important" to help starving Indians than to stop Communism in Viet Nam. Nor is new eloquence likely to be compelling on either side. Yet we have not yet come to the point at which we can agree to disagree, knowing what it is that we disagree about. In addition, though, the various arguments for and against aid have been marshalled before they need to be related to the important "details" of aid programs: quantities, composition, conditions, directions and criteria for performance and effectiveness. The disagreements over such details usually hide the more fundamental differences as to purposes.

In considering aid objectives, it is important to remember that, while logical distinctions are possible and necessary for clear thinking, the separation of aid programs according to such distinctions is not always feasible and may not always be politically desirable. The uses of aid for

one purpose may reinforce or compromise its effectiveness in some or all of its other uses. Or the use of economic aid may compromise or reinforce the effectiveness of other policy instruments. Since aid programs are interdependent and also affect and are affected by other international policies, a piecemeal approach to these programs is not adequate. For a comprehensive evaluation of their rationale these interdependent relations must also be considered.

Before beginning the substantive discussion, we must agree on what is meant by foreign aid. It is economic assistance, i.e., real resources of goods and services provided under concessionary terms, which would not be available on a purely commercial basis. There is great variety in the resources which have been provided and still greater variety in the terms under which it has been made available. There is no international "truth in lending" law which requires that the resources provided be priced correctly at their real market values or that the true, simple annual interest rate associated with each transaction be made explicit. As a result the amount of concession associated with each type of aid agreement cannot be readily computed. Simply adding up face amounts is surely misleading. However, for the present purposes, it is only necessary to be precise about the concept and not about the totals.

Finally, there can be no rationalization of foreign aid programs without a judgment as to their efficacy. However laudable an objective, once it has been demonstrated to be beyond reach or not reachable with the instruments at hand, it is not reasonable to continue to devote valuable resources to it. Evaluation of effectiveness of aid programs raises issues which go beyond the scope of this paper but which cannot be avoided entirely. At appropriate places, therefore, some comments must be made on this range of issues.

1. The Humanitarian Arguments for Foreign Aid

The humanitarian argument stems essentially from a feeling of individual responsibility for people living in poverty. While this feeling of personal obligation may for some people stop at their national boundaries, for other people it does not. There are many circumstances which arouse humanitarian responses from whole nations: epidemics, natural catastrophes and war refugees, elicit medicines, food and clothing but do not in themselves seem to call for a long term aid program. Foreign poverty, persistent and deep, the inheritance of generations of ignorance, illness, passivity and exploitation, though a relative

newcomer to the popular conscience in wealthy countries is, for many of us, as "deserving" as a natural catastrophe and does require a long term program.

Not everyone feels that there is a humanitarian obligation created by foreign poverty or that if there is, it should be assumed by the United States as an act of national policy. Some people would rely on the variety of private institutions through which international philanthropy can be carried out. But there seems to be no serious constitutional obstacle to the use of governmental powers and organizations for the same purpose. While a policy of international philanthropy may not evoke unanimous popular support, unanimity is seldom, if ever, a condition for government action in any case. Debate, politicking and pressure on this issue by proponents are as legitimate as on any other item in the federal budget.

The humanitarian case is often thought of as the "purest" motive, but it does not imply an absence of aid criteria nor a policy of making unconditional gifts of indefinite extension in time and size. It is not simply hypocrisy that causes the amount of aid to be given for humanitarian reasons to alleviate poverty to depend, in most persons' minds on the degree of poverty and the conditions accepted. There are more or less "deserving poor," depending on the source of poverty and on what is being done to alleviate it. Nations, like people, can be self-defeating in their policies. It is difficult and, at this point unnecessary, to push the issue to its limit and ask whether there is a humanitarian obligation to help individuals and nations in extremis, however different and contradictory their objectives. It is sufficient to make the point that when a nation's poverty appears to be, in effect, its own choice, the result of a more or less explicit choice among national goals, then less responsibility will be felt abroad to alleviate that poverty.

Among countries as among individuals the felt need for contributions by the relatively wealthy to the relatively poor decreases as income differentials decrease. This is a different rationale, however, from that implied in the "self-sustaining growth" slogan which has been used to justify the cut-off of aid. That slogan implies that, regardless of the level of income or the rate of growth, as soon as a country can grow by itself at some rate, aid can be eliminated. It can hardly be justified on humanitarian grounds.

Foreign philanthropy, while morally rewarding, still has a cost to the donors. Development programs which promise to reduce that cost are "investments" which justify more aid than would otherwise be given. The recent popular aid slogan of "maximizing self-help" may thus be interpreted consistently with the humanitarian arguments. But there is no reason on philanthropic grounds why self-help should be maximized. Depending on the nature of the poverty and the conditions which have created it, self-help is more difficult in some countries than in others. Our domestic poverty programs provide an unfortunate example of confusion on this point. Personal self-help has been ignored or discussed in past programs while in the recent law it has been given undue weight with inhumane consequences.

The arguments suggest that even a humanitarian rationale for aid leads quickly to an evaluation of each recipient's actions to determine who is to receive how much. There may be general agreement among humanitarians on the qualitative rules that, all other things equal, the poorer the country, the greater should be its share of the available aid; that, all other things equal, the more the "self-help" the greater should be the share. All other things are never equal, however, and, even if they were, qualitative rules will usually be inadequate as a basis for making quantitative decisions. The precise conditions and quantities of aid will remain matters of judgment since the values are so much a matter of individual conscience and intercountry comparisons and intrinsically so difficult.

The fundamental question about the efficiency of foreign aid under the humanitarian headline is simply: can it alleviate poverty? About this there can hardly be any doubt now. It is possible to transfer food and other resources overseas on a large scale and treat the most pressing manifestations. The answers are not always so obvious as to whether U.S. readiness to meet a drought caused food crisis or a war caused refugee crisis contributes to the resolution or the persistence of the conditions which brought on the crises. With respect to long run improvement in poor countries there can hardly be any question that foreign aid <u>can</u> help although there is controversy over its political consequences. This does not imply that foreign aid always <u>has</u> helped to ally the basic causes of poverty and that, irrespective of "details", will always help. Yet there are reasonably "clear success cases" and even where results of development programs

and aid have been disappointing there are grounds for believing that conditions would have been worse without aid.

In summary, there is a humanitarian case for foreign aid to allevite poverty but that argument does not necessarily imply the absence of "strings" or conditions and there are no obvious and natural cut-off points. Those questions are a matter of conscience just as is the giving of aid itself for humanitarian reasons.

2. Individual Self-Interest in Improvement of the Individual Quality of Life

As with domestic welfare programs there is an argument for international aid which recognizes no moral obligation but rather asserts an individual self-interest which will be promoted by alleviating the conditions of poverty. This is not an argument as to the long or short term implications of foreign poverty for international politics, but an argument as to its interpersonal effects. With respect to domestic welfare programs the individual interest argument maintains that the streets will be safer and the children at school better to learn and play with if the pernicious effects of povery and slums are eliminated.

The content of the individual self-interest argument with respect to foreign aid is more obscure. The degree to which foreign poverty makes us uncomfortable may depend on our ability to imagine ourselves in the situation. So Asian poverty made compelling by television becomes a personal problem. But, if well publicized foreign poverty makes us uncomfortable enough to want to do something about it, that presumably goes under the humanitarian headline. Other than its effect on the individual conscience or on international affairs what does it matter if Indians starve ten thousand miles away? The newspaper and television reports do not contribute to crime in streets or noisy classrooms. The self-interest asserted seems less universally appreciated than the humanitarian obligations discussed earlier. Perhaps there is some coherence among the holders of this view as to what is implied, but it appears very much as an *ad hoc* argument which has never really been elaborated. However, with respect to foreign aid and its details both the humanitarian and the individual self-interest arguments probably have the same effect. There are no specific amounts of aid implied nor any "natural" cut-off points. The arguments may or may not condone the imposition of conditions for aid on the receiving countries and countries may be more or less deserving.

3. The National Self-Interest

The type of argument in support of foreign aid which has most often been asserted in place of humanitarian responsibility has been that it is in the interest of the nation as a whole to help poor countries to develop their economies. Yet, just as each individual might feel more or less moral obligation or greater or less intrusion into his personal life of foreign poverty, so too each citizen may interpret the national interest differently. There are, however, characteristic conceptions of the role of foreign aid which, misguided or not, are frequently represented as the national interest.

(1) Economic Imperialism

A popular conception among donors and recipients of the role of foreign aid programs in furthering the national interest is that they are a means of securing both markets for products and supply sources for commodities not domestically available or available only at substantially higher prices. It is also sometime argued that foreign aid helps to create conditions for profitable, private investments.

The argument has a long and checkered ideological history. On the whole, it is erroneous as a motivation for U.S. aid and as an explanation of the manner in which aid has in fact been given. Expert opinion gives only limited economic significance to foreign sources of supply of commodities to the U.S. Imports are a relatively small fraction of the total U.S. consumption and only a fraction of total imports could not be supplied domestically except at much higher prices. Of those imports which are not otherwise relatively substitutable again only a small part come from countries which need foreign aid and most of the rest comes from relatively advanced countries. U.S. exports are also only a relatively small fraction of its total product and again by far and away the most important markets are not in the countries receiving aid. As for "investing for the future by foreign aid," the returns seem much more questionable than those obtainable from investments in the U.S. and other developed countries.

There is more to these arguments when applied to aid-giving nations other than the U.S., whose foreign trade accounts for a larger share of its inputs and outputs. Economic assistance appeals to some donor countries as a

way of preserving and strengthening existing commercial relations with their former colonies. France is the best example of such a concentration of aid. It is true that economic relations established with government aid will often facilitate private, commercial transactions fairly directly through demand for contacts. Yet recognition that there are private benefits of government economic programs, does not, itself, justify the granting of aid on concessionary terms since there are other productive ways of using scarce resources. In fact, it would be difficult, if not impossible, to rigorously establish such a justification. The balance sheet of economic gains and losses is almost never drawn up, perhaps because the economic rationalizations are a transparent cover for the political motives.

(2) Cold-War Competition and International Alliances

Foreign aid as an instrument in the international confrontation of the U.S. and the USSR and Communist China has certainly been one of the commonest and, judging by actual allocations among countries, the most persuasive of rationalizations. It has been argued that by foreign economic assistance we can strengthen the economic base and thus the military potential of countries whose leadership is committed to either supporting the U.S. or opposing the USSR and/or Communist China for ideological or nationalistic reasons. It has also been claimed that we can strengthen support for U.S. policies through foreign aid in countries in which public opinion or leadership is vacillating, by demonstrating the economic benefits which will accrue to development programs. This reasoning is most prominent among "practical politicians" and is the rationale used most frequently by administrative spokesmen and Congressional supporters. The arguments are thought to be persuasive because of their "pragmatism" and "tangibility" since it is possible to argue plausibly the effectiveness of several tens of millions in aid in gaining support for the U.S. in particular situations.

This is not necessarily an ignoble rationale. There has been and, some would argue, there still is a cold war competition. Moreover, there are a variety of international negotiations from nuclear disarmament treaties to fishing rights in which the U.S. requires allies. It would be preferable if these allies adhered out of their own convictions as matters of principle to which they were committed. Given our failure to project an unequivocal image and the domestic political situation in many countries, it is understandable that incentives in the form of foreign

aid can be important in gaining adherents. Among alternative policy instruments which might be used for that purpose, aid for economic development must rank fairly high on most scales of values as compared to personal bribery, direct political subversion or military pressures.

The U.S., of course, is not the only country which tries to win friends and influence people with its resources. It would be hard to argue that British, French or Soviet aid contributions are more high minded and moral than the U.S., though they may, because of the special characteristics of those economies, be commercially more rational. Each of these other countries also has a bloc which their aid contributions help maintain.

There can be little doubt that foreign aid used as an instrument of cold war competition or to achieve specific political goals has been effective at certain times and places and probably can continue to be so. It is sometimes possible to stimulate countries to improve their military posture in our support and to buy adherence to a bloc and in the process to substantially change economic conditions so as to decrease the economic need for future aid payments.

On the other hand the political uses of aid carry with them certain penalties which endanger the continuance of aid as part of U.S. foreign policy and its acceptance abroad. Foreign aid justified in terms of international politics will be sensitive to changes in the overall intensity of cold war competition, to local confrontations and to changes in the domestic political conditions in recipient nations. Long term commitments may be necessary and desirable to win the support of some countries and not for other countries. In some places regular bargaining and the maintenance of the threat of withdrawal of aid may be essential to accomplishment of its goals.

These are not mortal failings in a foreign aid program rationalized in terms of political interest but they do, at least, create grave difficulties. Foreign aid given for such reasons, since it is not primarily concerned with economic development, does not encourage consistent, long term programs with respect to quantities, directions or conditions of aid and criteria for judging effectiveness. It forces a shortsightedness on recipients who cannot make long term plans. It is, therefore, conducive to wastefulness. It encourages the bargaining skills of local politicians and irrelevantly rewards the connections of U.S. ambassadors who believe that highly visible monuments of nuclear power

plants or steel mills are more likely to win allies than a basic interest in long term development programs.

The political rationalization does not in itself require that countries be treated equally in any economic sense. But unequal treatment and politically shrewd but economically irrational policies may create frustration and resentment also. Another effect of the political use of foreign aid is that it provokes a "what have you done for me lately" attitude on the part of recipient nations. It encourages the "playing off" of the U.S. against the USSR. For once a country becomes a wholehearted and fully committed adherent to one side or the other the justifications disappear for providing aid to gain adherence.

A major obstacle to the political use of foreign aid is the openness of U.S. society which makes it difficult to operate a completely self-centered foreign aid policy. The rhetoric of aid which is required to obtain public support and Congressional votes cannot contain the arguments and distinctions required for international political maneuvering. Negotiations can be carried on secretly but finally aid allocations and failures as well as successes must be explained to Congress. This requires public admissions which may either be damaging or misleading and in either case open to criticism. Over and over again aid has been given primarily for political reasons but rationalized in economic terms. And over and over again such aid has been a failure in terms of its public objectives. Later admission of the unreality of the objectives does not repair the damage to the credibility of all the economic arguments for aid.

(3) Improving the International Environment

The most sophisticated national interest argument is that foreign aid can encourage poor countries to concentrate on their own domestic economic problems, to forego foreign conflict and by assisting in their economic growth can contribute to the establishment of a peaceful and progressive world environment. It is a grand promise. This rationale - the connection between economic development and stable, peaceful, democratic political development and the U.S. national interest - has been widely challanged. It flourishes, however, and the objective of political development has lately been elevated to become an official objective of the U.S. aid program. It is, therefore, necessary to go through the argument carefully, point by point.

The first step is that a commitment to economic development will be encouraged by foreign aid. Secondly, with commitment and aid, development will start. Next, economic development once underway will tend to be perpetuated by the rewards it brings and will absorb the energies and focus the ambitions of governments. This in turn will create a vested interest in peace in order to preserve hard-won gains and achieve further development. The process will tend to lead to creation of stable democracies and open and progressive societies which are consistent with the U.S. national interest. And, of course, the argument is a probabilistic one - that the political effects ascribed to development are not necessary results but only "likely", at least more likely than without development.

It might appear that the first step in the argument is at least as persuasive as those arguments that foreign aid can be used to "buy" political support in particular situations, if not continuing allies. But that need not be the case since economic development requires mobilization of domestic resources and social changes all of which may be quite painful to the interests in whom political and economic control are currently vested. A vote in the U.N. or even a battalion of troops in South Korea or South Viet Nam may be considerably easier to produce in terms of the domestic politics of a poor country than land reform or an income tax. There are examples of countries such as Indonesia and Burma which have deliberately foregone foreign aid to continue on domestic or foreign political adventures which relegate economic advancement to a low priority. The attempt in the Alliance for Progress to make political reforms for development purposes as well as for their own sake, a condition for aid has not been notably successful. Yet resources are more persuasive than talk alone. Though the precise probabilities cannot be stipulated, the first step in the argument appears plausible.

The second step, that with domestic commitment and foreign aid development will start, appears plausible also, depending on the degree of "commitment". It is true that development has come at a slower pace than had been hoped for and expected and that the slow pace in most countries is frustrating. Yet there can be little doubt that new policies have started economic development in many countries which were previously stagnant and that substantial progress has been made.

The argument that economic development will perpetuate itself appears rather more tenuous. The economic history of development shows many stops and starts and fewer examples of single-minded adherence to economic goals than of hesitation and back-sliding. Economic policies can seldom be made to appear to bring general, equitable improvement to everyone and domestic controversy and disagreement are as prevalent abroad as at home. Perhaps a key condition for a continuing commitment to economic development is that it brings current economic benefits. But examples can even be found of quick and tangible benefits being willingly foregone, not just by a small minority, but by the majority, in order to follow some irredentist star or correct some other national grievance.

That a political focus on domestic economic development in general and with predictability leads to stable democracies and open societies, is only a conjecture with equivocal evidence and substantial differences of opinion as to its plausibility. Taiwan and Greece which receive high marks on economic success show up differently on the political scoreboards. However meager the understanding of economic development, our knowledge or political development is even more slight. We are not even sure what it is. Does Ayub Khan represent forward movement in Pakistan democracy? Even if one is sure about the answers, is it possible to say what their connection to economic aid has been?

The issue is whether democratic institutions and stable societies are more or less likely with or without economic development. Although development eliminates some problems, grievances are always in unlimited supply and the disappearance of a few may hardly be noted. While it is necessary to be skeptical of the relation in general between economic development and the evolution of stable democracies it is too much to say that it is absolutely false. The criticisms are plausible but so are the stories which go the other way. Economic conditions are only one of several contributing sets of influences to political evolution. The marginal contribution of economic improvement to democracy may be positive but in general cannot always be counted on as being large. In any case, the arguments are never more than probabilistic and their compounding makes the chances for the joint occurrence of all the favorable circumstances seem small.

There are also contrary arguments which challenge the assertion that the evolution of stable democracies and open societies is in the national interest of the U.S. These essentially take the line that growing prosperity

widens the alternative courses of actions of the poor countries. Among the possible alternatives is trouble-making with each other and with the U.S. Countries which remain poor and without foreign assistance may be more careful in starting trouble with consequent reduced risks of involvement for the U.S. Trouble is not just a luxury of the rich, however. It is hard to believe that anyone could take seriously the romantic notion of nations being peaceful because they are poor.

The national interest argument for aid as a way of improving the international environment for the U.S. now seems unpersuasive when intended to be of general applicability. Still, though the argument may not be generalizable, a good case can be made for it for particular countries at particular times. The tests and proofs in specific cases are never certain but it is not hard to make up examples or to think of actual situations in which economic assistance and economic development do appear to contribute importantly to stable, democratic evolution. The attempt made by aid advocates to formulate an argument of general validity was over-ambitious, though its origins are understandable. There may have been a desire to articulate a rationale of a generality equal to that of the human argument. On a practical level, to state an argument that is of limited applicability is also to take a risk of more specific and recognizable error. And to make the case for foreign aid to the government and to the nation in terms of the prospects for particular countries is to make publicly comparisons which are invidious.

Assuming the argument to be valid that at least in some circumstances foreign aid can contribute to the development of stable and peaceful democracies, are there any further specific implications in the argument for the details of aid? Presumably there are differences in the priority of importance of different countries for the achievement of an international "peaceful progressive environment." With domestic limitations on the quantity of foreign aid, these priorities should help determine the distribution of aid among countries, though, maintenance of an international posture of evenhandedness places some limits on the discrimination that can be practiced.

There is nothing in the argument, however, which precludes the application of "strings" or conditions, except, of course, that the conditions not be self-defeating. If the connection between peaceful democratic processes and economic development were assumed to always be operating, the only criteria of performance which need be examined is that of economic growth. But the political and economic relationships are almost never so clear. The processes projected by this argument are slow and gradual and clear, dramatic progress toward the goals in any short period cannot be expected. There may even be reversals which must be identified and may require reversing foreign aid programs. Aid given on this basis cannot avoid difficult judgements as to the political as well as economic progress of recipient nations. In fact, political judgments are made continually and do in part always form the basis on which aid is given.

If the goal of foreign aid is nation-building, there is more to be said for allowing greater independence to the recipient countries in using the aid. Both successes and mistakes are valuable parts of the national experience. In addition when aid is given for such purposes the evaluation of the degree of its success is more difficult than when the objectives are simpler. It is also more difficult to set conditions which guarantee progress toward achievement of the objectives. We may have enough wisdom to discern the grand relationships. It is doubtful whether we are sufficiently perspicacious to see them working out in the year to year detail. These characteristics argue for greater reliance on overall evaluation at longer intervals than, say, a year. The arguments do not, however, foreclose supervision or oversight of project evaluations where the means and ends of the project can be mutually agreed upon.

Reliance on the nation-building and international environment rationale requires considerable patience, and it may now be hard to imagine the U.S. Congress exercising forbearance when countries with heavy foreign aid allotments appear to squander their substance or take antagonistic attitudes. It is also difficult for official spokesmen to make publicly the frank appraisals which might persuade the appropriate Congressional committees to exercise forbearance and opinions will always differ. Yet it is more dangerous for the foreign aid program as a whole to pretend not only that the long run results are certain but that in the short run also "all is for the best in this best of all

possible worlds." That type of transparent nonsense is helping to kill the entire foreign aid program.

There are certainly no clear general implications in the nation-building argument for the quantities or types of aid which should be given. Economic analysis will often permit some conclusions with respect to the alternative combinations of foreign and domestic resources which will lead to certain overall and sectoral growth patterns. It will also provide insights as to the relative economic burden of mobilizing the various combinations of foreign and domestic resources. Economic analysis, however, cannot indicate which economic conditions are politicallly most acceptable to the recipient country or which, in the short run or the long run, will be most effective in advancing the nation-building goals of the foreign aid. Economists have operated with some crude rules of thumb in this respect, such as: a two per cent per capita overall growth rate is an acceptable goal while a one per cent per capita overall growth rate is too slow to be visible and, therefore, too small to make a contribution to the nation-building goal. Events such as those in Nigeria have emphasized, even if logic would not make clear, that such overall goals are not always clearly and closely to political progress.

We come again to the basic issue in this general argument: what is the relation of economic to political development? While it is still impossible to give specific answers it seems clearer now that the relationships are not among the grossest economic aggregates but, if at all, among sectors and components of the aggregates. Through oversight, professional preoccupation or mental laziness, economists have not inquired deeply into the political and economic relationships. There has been wide acceptance of the notion of the relation of political development and overall per capita growth rates. But the critical economic and political relationships may involve something as specific as per capita food consumption and, perhaps even per capita food consumption in metropolitan areas. For example, stable and democratic political evolution in Indian development may require as a minimum conditions the adequate provision of food to the population without dependence on foreign gifts so "excessive" as to compromise the independent action of the government. In other cases, where, for instance, adequate food is assured, the critical economic factors for stable and democratic political development may be quite

different. Generalizations may well be possible but continued investigation of the specific features of each country is necessary to form a basis for policy.

4. Summary: The Relationships Among the Objective of Foreign Aid Policy and Other Foreign Policy

The nation has a number of interests with respect to the less developed areas and there is no single, comprehensive and coherent definition of national policy which will reconcile them. National policy includes the statements and actions of the current administration, which are not necessarily the same as the statements and actions of Congress. Policies and commitments of past governments and the ideas and actions of private persons in an open society also express effectively some of the interest of the nation. The variety of possible rationalizations of foreign aid which have been described above include most of the reasons which have been given for foreign aid and each to some extent is a real expression of national policy. While it is desirable that we not approach foreign countries with inconsistent and contradictory policies, it is not possible to obtain from any single source or all sources a clear ordering of priorities.

The various rationalizations of foreign aid do not all necessarily land to the same set of actions, quantities of aid and conditions. Foreign aid can be used in inconsistent and even contradictory ways and this in fact is one of the major criticisms of foreign aid policy. On humanitarian grounds we will succor an enemy and on grounds of national security we will refuse succor. Some people search for consistent policies in terms of specific political or economic objectives. It is almost certain that we will not and cannot act with complete consistency with respect to any single criterion since we have a variety of somewhat conflicting goals. Certain components of aid may be given with quite limited restrictions; other components may be closely supervised. Priorities for particular countries may change over time. Moreover, even if relatively enlightened views are held as to what constitutes the national self-interest it is possible that aid rationalized in terms of long-term nation-building may be suspended or modified under short term pressures of national self-interest. Foreign aid objectives are not necessarily more inconsistent than the objectives of other instruments of foreign policy, but foreign aid is a more obvious instrument. Unlike most other instruments, it can be quantified and compared

over time and among countries. Moreover, it has by now acquired a history of somewhat conflicting claims so that any foreign or domestic critic can easily cite inconsistencies between current practice and some set of ideal goals or methods which have been enunciated in the past.

It has been suggested implicitly, if not explicitly, that foreign aid is not consistent with other foreign policies of the U.S. The leading example of this argument is that foreign aid should be curtailed because it creates national involvements which escalate into military commitments. The argument is reminiscent of the simplistic Marxist notions of economic imperialism which try to trace an inevitable relationship between private foreign investment and military expeditions. The argument can simply be dismissed out-of-hand. The briefest glance at the factual history of our military commitments in Korea and South Viet Nam, in the Dominican Republic and in Turkey, as examples, are that the military involvement preceded any significant economic programs.

Putting aside the obvious errors, are there any good reasons to believe that foreign aid programs subvert U.S. foreign policy? The charge among foreign aid program personnel is usually exactly the opposite: that the objectives of foreign aid programs are modified and often perverted to help achieve other goals. The implicit assumption on both sides is that there are foreign aid objectives which are different from other foreign policy objectives of the U.S. As suggested above, this is not necessarily untrue. The foreign aid objective adopted by most program personnel is simply that of assisting the economic growth of the recipient country for that after all is the rhetoric of foreign aid. Other goals, which involve using foreign aid as a means of decreasing aid independently of the growth objective, may well be inconsistent with that objective. It is seldom true that the growth objective is allowed to override other goals. Yet in the annual Congressional review of the foreign aid program, its personnel and spokesmen repeat and emphasize the aid rhetoric. Thus they themselves contribute to the Congressional and popular opinion that aid is not a full-fledged and trustworthy instrument of U.S. foreign policy.

Finally, it is necessary to consider whether the use of foreign aid to achieve different objectives compromises its use in pursuing any one of the objectives. It certainly seems as if that is the case. Some objectives may require that we impose clear conditions on the recipient countries but we also have examples of countries refusing aid offered with "strings." The basic issue in most such cases,

however, is not distrust of the instrument but disagreement with the policy to which the "strings" are attached. Suppose a soccer team were sponsored by the U.S. in order to demonstrate our international good will and willingness to accept defeat gracefully and that soccer team was refused permission to play in pan-Arab games. The U.S. soccer team might not be a good one but it could not be blamed for the refusal. Still it would not be correct for supporters of the U.S. aid program to pretend that the program was just like any other instrument of a fully consistent foreign policy. Having recognized the existence of a variety of differing components in the policy it is also necessary to admit that different instruments may be more or less closely identified with particular aspects of national policy.

To summarize, foreign aid can and has been used for a variety of purposes which are not necessarily consistent. The humanitarian rationale is, I believe, the only one of general applicability among nations and it does not imply the absence of conditions. The argument that foreign aid is an efficacious instrument for "nation-building" and creating an international environment favorable to the U.S. is correct in particular cases but not generally so. Foreign aid is not always effective in any of its uses, but neither is any other foreign policy instrument. For all of the objectives for which aid may be used, it is reasonable and even important from the standpoint of the aid-giver to set performance criteria, except when the setting of the criteria itself interferes with achieving the objective.

Much of the confusion with respect to the rationale for aid seems to arise from the attempt to articulate general goals and general criticisms. While there are grave difficulties in establishing a rationale of general validity, there are greater difficulties in coming to a generally decisive criticism. The real importance and usefulness of aid in many particular cases can hardly be denied.

Date Due

DEC 31 1987

OCT 24 '76

2000

2000

APR 25 '77

JAN 03 '78

FEB 28 2000

OCT 19 '78

DEC 7 '78

JUL 3 '79

JAN 5 82

MAY 26 1987

5-2

Lib-26-67

MIT LIBRARIES
3 9080 003 928 238

MIT LIBRARIES
3 9080 003 959 175

MIT LIBRARIES
3 9080 003 959 191

MIT LIBRARIES
3 9080 003 959 217

MIT LIBRARIES
3 9080 003 959 233

MIT LIBRARIES
3 9080 003 928 253

MIT LIBRARIES
3 9080 003 928 279

MIT LIBRARIES
3 9080 003 928 295

MIT LIBRARIES
3 9080 003 928 311